

AUG 5 2003



GENERAL SERVICES AGENCY
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OFFICE OF THE
PRESIDING JUDGE

August 1, 2003

RECEIVED

AUG 8 2003

Honorable Bruce A. Clark
Presiding Judge of the Superior Court
Ventura County Hall of Justice
800 South Victoria Avenue
Ventura, CA 93009

VENTURA COUNTY GRAND JURY

Pursuant to your request to respond to the report entitled *Fleet Maintenance for County Vehicles* dated May 8, 2003, the General Services Agency (GSA) has prepared the following response:

Findings:

F-1. *The Fleet Services Department uses an activity based costing model that associates the costs of providing services to a particular class of vehicle.*

Concur.

F-2. *Costs are either "fixed costs" which are recovered through vehicle rental charges or "variable costs" which are recovered through vehicle mileage/usage charges.*

Concur.

F-3. *Fixed costs include a replacement charge (depreciation). GSA and County overhead and indirect expenses are shown in Table 1. These costs are not attributable to a functional area of activity.*

Concur in part. Depreciation is not a fee charged for future replacement. Depreciation is the distribution of the cost of a tangible asset, less salvage value, over the estimated useful life of the unit. Therefore, depreciation is charged as a cost of doing business.



F-4. *Variable costs are a direct function of vehicle use and consist of operating and maintenance costs.*

Concur.

F-5. *To develop variable costs, each budgeted expenditure account is separated into functional areas of activity, e.g., labor, parts, tires, fuel, etc. Activity totals are then allocated to vehicle classes, based on a ratio of historical class operating costs.*

Concur.

F-6. *When activity allocations are completed, total direct costs by vehicle class are summarized. The total cost is divided by estimated mileage, a 5-year average, to derive a per mile charge to users.*

Concur.

F-7. *Sheriff's Department officials stated that rates charged by GSA are higher than private vendors would charge.*

Concur in part. While we believe the Sheriff's Department made the statement, we disagree with the accuracy of the statement. GSA rates are developed by vehicle type, and the statement fails to take into account instances where the rates charged by GSA are less than those charged by a private vendor. Rates are only one aspect of estimating total charges by GSA or a private vendor. The more meaningful comparison is not the individual rates but rather total estimated charges – rates multiplied by consumption. See comments in response to Finding #9 regarding GSA's total charges in comparison to those of private vendors.

F-8. *Estimated rates supplied by prospective vendors may be 15% to 45% lower than GSA, depending upon vehicle class.*

Concur in part. As mentioned in the response to Finding #7, there are instances in which the rates charged by GSA are lower than those charged by a private vendor. The more meaningful comparison is total estimated charges.

F-9. *GSA is in the process of issuing a Request for Proposal (RFP) to prospective vendors for fleet maintenance.*

Concur in part. The RFP process has been completed. The Sheriff's Department requested "cost per mile" proposals, and only one other

vendor provided pricing on that basis. The RFP process determined that the GSA charges are less than or approximately equal to private vendor charges.

F-10. *A rough estimate of the portion of direct cost attributed to fuel consumption is 20%.*

Concur

F-11. *Fuel rates are not current since they are based on estimates, which are a year old.*

Concur.

F-12. *Maintenance is performed at several facilities throughout the County.*

Concur

F-13. *The inconvenience of a central heavy maintenance location is a problem for some users due to distances from certain County locations.*

Concur.

F-14. *San Bernardino, Kern and Los Angeles Counties (partially) use private vendors for fleet maintenance.*

Concur.

Recommendations:

R-1. *Modify costing model so that fuel rates are not included.*

The recommendation will be implemented subject to necessary approvals. We will submit a letter to the Auditor-Controller's office by August 8, 2003, requesting permission to alter the variable rates by excluding fuel costs from the calculation. This will allow Fleet Services to charge departments for the actual fuel costs. Implementation date, if approved, will be retroactive to July 1, 2003.

R-2. *Establish a credit card system charged directly to the using agency for fuel costs.*

The recommended action is already in place. Fleet Services currently administers a commercial fleet credit card fueling program. Commercial

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cards are offered to departments if fueling at County stations is not a feasible solution. The Voyager fuel card program has been in place for more than 5 years, and departments are directly charged for the fuel purchased through this program.

R-3. *Use information gathered from Camarillo vendor maintenance data to compare with GSA maintenance data.*

The recommendation will be implemented by September 15, 2003.

R-4. *Compare rates and downtimes with other counties that use private vendors.*

The recommendation will be implemented by October 13, 2003.

Should you have additional questions regarding this response, please contact Rebecca Arnold, Deputy Director, at 648-9205 or Tony Patton, Fleet Services Manager, at 388-4570.

Sincerely,


PAUL W. RUFFIN *for*
Director

Attachment

c: Rebecca Arnold, GSA Administrative Services
Tony M. Patton, GSA Fleet Services